

**WATERWORKS DISTRICT NO. 7
OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

**AS OF AND FOR THE
YEAR ENDED JUNE 30, 2012**

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Page No.</u>
BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report.....	1
Required Supplemental Information Management's Discussion and Analysis.....	4
Fund Financial Statements	
Statement of Net Assets	10
Statement of Revenue, Expenses and Changes in Fund Net Assets	12
Statement of Cash Flows.....	13
Notes to Financial Statements	
Index.....	16
Notes	17
SUPPLEMENTARY INFORMATION	
Schedule of Operating Expenses.....	27
Statement of Revenues, Expenses as Percentage of Total Operating Revenues.....	28
Budgetary Comparison Schedule.....	30
Schedule of Expenditures of Federal Awards.....	31
Schedule of Insurance in Force	32
Statistical Data – Water Sales	33
Comparative Data	34
Schedule of Subsequent Budget.....	35
Compensation Paid to Governing Body.....	36

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Page No.</u>
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings and Questioned Costs.....	41

BASIC FINANCIAL STATEMENTS

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A PROFESSIONAL ACCOUNTING CORPORATION

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American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

INDEPENDENT AUDITORS' REPORT

Board of Directors
Waterworks District No. 7 of East Feliciana Parish
P. O. Box 8826
Clinton, Louisiana 70722

We have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 7 of East Feliciana Parish, a component unit of the East Feliciana Parish Police Jury, as of and for the year ended June 30, 2012, which collectively comprise the Waterworks District No. 7 of East Feliciana Parish's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Waterworks District No. 7 of East Feliciana Parish's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

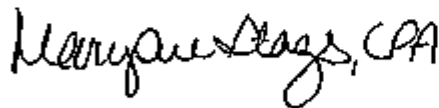
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District No. 7 of East Feliciana Parish, a component unit of the East Feliciana Parish Police Jury, as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 7 of East Feliciana Parish's basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Mary Sue Stages, CPA,
A Professional Accounting Corporation
Baker, LA
December 17, 2012

REQUIRED SUPPLEMENTARY INFORMATION

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Management's discussion and analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34. Its purpose is to provide an overview of the financial activities of the District based on currently known facts, decisions and/or conditions. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ The District's assets exceeded its liabilities by \$955,391 (net assets), a decrease of \$10,090 over the prior year
- ◆ Working capital of the District is \$176,449

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

These financial statements are comprised of these components – (1) management's discussion and analysis, (2) fund financial statements, (3) notes to the financial statements and (4) required supplementary information. There is also other supplementary information contained in this report provided for additional information.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one category of funds: proprietary funds.

Proprietary funds. The District maintains only one type of proprietary fund – enterprise fund. Enterprise funds are used to report the functions financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The District uses an enterprise fund to account for its water services.

Financial statements of the District include the following:

Statement of Net Assets. This statement presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or not.

Statement of Revenues, Expenses and Changes in Fund Net Assets. This statement presents information showing how the District's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the District's financial reliance on general revenues.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

The fund financial statements can be found on pages 10-14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The index of the notes is found on page 16 with the actual notes beginning immediately afterwards.

Other Information. Additionally, this report also presents certain other information that is deemed useful to users of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

Net assets are an indicator of the District's financial position from year to year. A summary of net assets follows.

SUMMARY OF NET ASSETS

	<u>2012</u>	<u>2011</u>
Assets		
Current assets	\$ 215,249.49	\$ 208,360.07
Restricted assets	97,731.79	92,180.08
Non-current assets	57,009.66	60,520.53
Capital assets, net	<u>1,135,594.70</u>	<u>1,169,053.55</u>
Total Assets	<u>1,505,585.64</u>	<u>1,529,844.23</u>
 Liabilities		
Current liabilities	38,800.50	33,769.63
Long-term liabilities	<u>511,394.04</u>	<u>530,593.13</u>
Total Liabilities	<u>550,194.54</u>	<u>564,362.76</u>
 Net Assets		
Invested in capital assets, net of accumulated depreciation and related debt	645,559.47	665,032.71
Restricted	97,731.79	92,180.08
Unrestricted	<u>212,099.84</u>	<u>208,268.68</u>
Net Assets	<u>955,391.10</u>	<u>965,481.47</u>

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The largest portion of the District's net assets is in its investment in capital assets - \$645,559 and \$665,033 at June 30, 2012 and 2011, respectively, representing 68% of net assets. Another 10% and 9% (\$97,732 and \$92,180) in both years is restricted for customer deposits and debt retirement. The remaining balance in net assets of \$212,100 (22%) and \$208,269 (23%) at June 30, 2012 and 2011, respectively, is available to pay current operating expenses.

A summary of changes in net assets is as follows:

SUMMARY OF CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Revenues		
Charges for services	\$ 329,474.42	\$ 373,434.94
Non-operating revenues	<u>16,981.33</u>	<u>1,595.89</u>
Total Revenues	346,455.75	375,030.83
Expenses		
Operating	263,664.28	244,536.39
Depreciation/amortization	67,406.00	66,105.00
Non-operating	<u>25,475.84</u>	<u>30,959.36</u>
Total Expenses	<u>356,546.12</u>	<u>341,600.75</u>
Change in net assets	(10,090.37)	33,430.08
Net assets, beginning	<u>965,481.47</u>	<u>932,051.39</u>
Net assets, ending	<u>955,391.10</u>	<u>965,481.47</u>

Revenues decreased by of \$28,575 or 8% over the prior year. This was due to the mild winter experienced within the District's boundaries.

Expenses increased by \$14,945 or 4% over the prior year resulting in a net loss of \$10,090.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Cash flow activity of the District for the past two years is as follows:

SUMMARY OF CASH FLOWS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents provided by (used for):		
Operating activities	\$ 85,778.35	\$ 99,315.55
Non-capital financing activities	14,600.91	.00
Capital and related financing activities	(73,304.85)	(62,089.83)
Investing activities	<u>342.46</u>	<u>527.34</u>
Net Increase in Cash and Cash Equivalents	27,416.87	37,753.06
 Cash and cash equivalents, beginning of year	<u>216,421.40</u>	<u>178,668.34</u>
 Cash and cash equivalents, end of year	<u>243,838.27</u>	<u>216,421.40</u>

BUDGETARY HIGHLIGHTS

The District's actual operating revenues were \$526 (< 1%) less than budgeted. Operating expenses were \$9,420 or 3% more than budgeted authority providing for an operating loss as opposed to an operating income as estimated. Non-operating revenues and expenses were out of budget by only \$95.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets, net of accumulated depreciation and related debt at June 30, 2012 and 2011, was \$645,559 and \$665,033, respectively. Additions during the current year totaled \$30,001 including a shop building and improvements/painting to the pressure tank. The total investment is net of long-term debt (revenue bonds outstanding) of \$486,194.

Capital assets at year-end are summarized as follows:

**CAPITAL ASSETS
Net of Accumulated Depreciation**

	<u>2012</u>	<u>2011</u>
Non-depreciable Assets		
Land	\$ 4,500.00	\$ 4,500.00

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Depreciable Assets

Vehicles	11,326.00	16,216.00
Furniture & equipment	24,637.74	33,681.74
Building	31,261.56	18,274.56
Distribution system	<u>1,060,027.40</u>	<u>1,096,402.00</u>
Capital Assets, net	<u>1,131,752.70</u>	<u>1,169,074.30</u>

The District executed a 60 year land lease at \$5,000 for which it amortizes. Amortization to date totals \$1,158 leaving a net book value at June 30, 2012, of \$3,842.

Debt Administration: Long-term debt of the District includes revenue bonds. Total bonded debt outstanding at June 30, 2012 and 2011, was \$486,193 and \$504,021, respectively. The District paid \$17,828 towards its bonded debt during the current year as well as \$25,476 in related interest. Principal and interest payments are funded by general revenues.

A summary of the long-term portion of bonds outstanding is as follows:

OUTSTANDING BONDS

	<u>2012</u>	<u>2011</u>
Revenue bonds:		
Series 1987 dated 7/8/87	180,709.38	192,286.33
Series 1991 dated 7/29/93	42,889.52	45,181.82
Series 2001 dated 8/3/01	<u>243,795.14</u>	<u>248,724.98</u>
Total	<u>467,394.04</u>	<u>486,193.13</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations and demonstrate the District's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting the Waterworks District No. 7 of East Feliciana Parish, P. O. Box 8826, Clinton, Louisiana 70722 or 225-683-9124.

FUND FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 146,106.48
Accounts receivable, net of allowance for doubtful accounts of \$17,750	45,971.17
Unbilled receivables	9,307.32
Due from other governmental agencies	1,603.08
Prepaid expenses	<u>12,261.44</u>

Total Current Assets	215,249.49
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Restricted Assets:

Cash and cash equivalents	97,731.79
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Other Assets:

Investments	57,009.66
Land lease, net of accumulated amortization on land lease of \$1,158	3,842.00
Land	4,500.00
Plant and equipment, at cost, net of accumulated depreciation of \$987,094	<u>1,127,252.70</u>

Total Other Assets	<u>1,192,604.36</u>
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TOTAL ASSETS	<u>1,505,585.64</u>
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Continued

WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2012

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 12,029.92
Payroll withholdings and related payables	2,100.31
Accrued salaries payable	5,871.08
Bonds payable - current portion	<u>18,799.19</u>

Total Current Liabilities 38,800.50

Long-Term Liabilities:

Customer deposits	44,000.00
Bonds payable - revenue	<u>467,394.04</u>

Total Long-Term Liabilities 511,394.04

Total Liabilities 550,194.54

Net Assets:

Invested in capital assets, net of related debt	645,559.47
Restricted for customer deposits	44,000.00
Restricted for debt service and contingencies	53,731.79
Unrestricted	<u>212,099.84</u>

Total Net Assets 955,391.10

TOTAL LIABILITIES AND NET ASSETS 1,505,585.64

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

Charges for services:	
Water sales	\$ 323,565.20
Late fees	<u>5,909.22</u>
Total Operating Revenues	329,474.42

OPERATING EXPENSES

Administrative	29,526.05
Depreciation/amortization	67,406.00
Employee and related expenses	106,609.99
Occupancy	34,471.80
Personal services	<u>93,056.44</u>
Total Operating Expenses	<u>331,070.28</u>
Operating Loss	(1,595.86)

NON-OPERATING REVENUES (EXPENSES)

Interest earned	777.34
Grant proceeds	16,203.99
Interest expense	<u>(25,475.84)</u>
Total Non-Operating Revenues (Expenses)	<u>(8,494.51)</u>
Change in Net Assets	(10,090.37)
Net Assets, beginning	<u>965,481.47</u>
Net Assets, ending	<u><u>955,391.10</u></u>

See Accompanying Notes and Independent Auditors' Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 345,701.35
Cash paid to suppliers for goods/services	(153,673.19)
Cash paid to employees for services	<u>(106,249.81)</u>
Net Cash Provided by Operating Activities	85,778.35

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash received from grantors	<u>14,600.91</u>
Net Cash Provided by Non-Capital Financing Activities	14,600.91

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition/construction of capital assets	(30,001.40)
Interest paid on bonds	(25,475.84)
Principal paid on bond maturities	<u>(17,827.61)</u>
Net Cash Used for Capital and Related Financing Activities	(73,304.85)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>342.46</u>
Net Cash Provided by Investing Activities	<u>342.46</u>

Net Increase in Cash and Cash Equivalents	27,416.87
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Cash and Cash Equivalents, beginning of year	<u>216,421.40</u>
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Cash and Cash Equivalents, end of year	<u><u>243,838.27</u></u>
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BALANCE SHEET PRESENTATION OF CASH:

Current assets	146,106.48
Restricted assets	<u>97,731.79</u>

Cash and Cash Equivalents, end of year	<u><u>243,838.27</u></u>
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Continued

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2012**

**RECONCILIATION OF OPERATING LOSS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	(1,595.86)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation/amortization	67,406.00
(Increase) decrease in assets:	
Accounts receivable	16,626.93
Prepaid expenses	(318.11)
Increase (decrease) in liabilities:	
Accounts and other payables	3,699.21
Accrued salaries	360.18
Customer deposits	<u>(400.00)</u>
Net Cash Provided by Operating Activities	<u><u>85,778.35</u></u>

See Accompanying Notes and Independent Auditors' Report

NOTES TO FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

<u>Note No.</u>	<u>Description</u>	<u>Page No.</u>
	Introduction.....	17
1	Summary of Significant Accounting Policies.....	17
2	Cash and Cash Equivalents.....	20
3	Receivables.....	21
4	Restricted Assets.....	21
5	Investments.....	21
6	Capital Assets.....	22
7	Accounts and Other Payables	23
8	Long-Term Liabilities.....	23
9	Leases.....	24
10	Retirement Plan.....	24
11	Other Post-Employment Benefits	24
12	Related Party Transactions.....	24
13	Litigation and Claims.....	25
14	Subsequent Events	25

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

INTRODUCTION

The Waterworks District No. 7 of East Feliciana Parish (hereinafter referred to as the District), located in Clinton, Louisiana, was created by the East Feliciana Parish Police Jury as allowed under Louisiana Revised Statute 33:7702. Its board members are appointed by the East Feliciana Parish Police Jury.

The District was created to provide water resources to the citizens of East Feliciana Parish residing within the boundaries of the District. It serves an average of 934 customers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting practice of the District conforms to governmental accounting principles generally accepted in the United States of America. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity: Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the East Feliciana Parish Police Jury is the financial reporting entity for East Feliciana Parish. The District is considered a component unit of the East Feliciana Parish Police Jury because it appoints a voting majority of the District's governing body and its services are rendered within the Police Jury's boundaries. The accompanying financial statements present information only on the fund(s) maintained by the District and do not present information on the Police Jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Fund Accounting: The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified under one category: proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Proprietary Funds – used to account for governmental activities that are similar to activities performed by commercial enterprises in that goods/services are provided for a fee. Proprietary

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

funds of the District include the following fund types:

1. Enterprise – account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting/Measurement Focus: In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

Basis of accounting refers to when revenues and expenses are recognized and reported and relates to the time of the measurement, regardless of the measurement focus applied. The fund statements of the District are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of business-type activities are included in the statement of net assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred. In these statements, capital assets are reported and depreciated, and long-term debt is reported.

Operating/Non-Operating Revenues: Proprietary funds separately report operating and non-operating revenues. Revenues from transactions of the District's water services are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

Budgets and Budgetary Accounting: The District adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The governing body must approve any revisions that alter the total expenditures. Budget amounts lapse at year-end.

Cash and Cash Equivalents: Cash includes amounts in demand deposits. Cash equivalents include amounts in investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law or any other state of the United States or under the laws of the United States.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value, based on quoted market prices, with the corresponding increase or decrease reported in investment earnings.

Inventory: Inventory of the District includes only office supplies, the amount of which is considered immaterial. Therefore, the acquisition of such items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

Receivables: Trade receivables are recorded at management's estimate of the amount that is expected to be collected. This is based in part on historical information. Revenues become susceptible to accrual when they become both measurable and available.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets: The District's assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing assets. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows: vehicles – 5 years, furniture and equipment – 5 to 7 years and distribution system – 15 to 40 years. The District has a land lease that it is amortizing over a period of 60 years.

In June 1999, the GASB issued Statement No. 34 which requires the inclusion of infrastructure assets used in governmental activities in the basic financial statements retroactively reported back to 1982. An exception exists for local governments with annual revenues of less than \$10 million. As a result of this exception, the District elected not to report its governmental infrastructure retroactively. From that point forward, the District has used the basic approach to infrastructure reporting for its governmental activities when applicable.

Net Assets: In the statements of net assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
OF WEST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Restricted Net Assets

Net assets that are reserved by external sources, such as banks or by law, are reported separately as restricted net assets. When assets are required to be retained in perpetuity, the non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2 – CASH AND CASH EQUIVALENTS

The cash and cash equivalents on hand (book balances) of the District are as follows:

Petty cash	\$ 100.00
Interest-bearing demand deposits	44,140.54
Money market savings	101,865.94
Restricted:	
Interest-bearing demand deposits	53,731.79
Money market savings	<u>44,000.00</u>
Total	<u>243,838.27</u>

Deposits are stated at cost, which approximates market. Under state law, they must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Even though pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, La. Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

With the adoption of GASB Statement No. 40, only deposits are considered exposed to custodial credit risk are required to be disclosed. The District has no deposits exposed to custodial credit risk.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 – RECEIVABLES

The net receivables at June 30, 2012, are as follows:

Class of Receivables

Customers	\$ 73,028.49
Allowance for bad debts	<u>(17,750.00)</u>
Net	<u>55,278.49</u>

The District utilizes the allowance method for receivables estimated to not be collected. The current year receivables include \$45,999 delinquent more than 30 days.

NOTE 4 – RESTRICTED ASSETS

The Revenue Bond Resolution, Section 8, originally adopted on September 5, 1985, provides for all income and revenue derived from the operation of the District to be pledged for the security and payment of Series A and Series 2001 Water Revenue Bonds. The first priority is the payment of reasonable and necessary costs of operating and maintaining the water distribution system.

Secondly, the District is required to maintain a Waterworks System Revenue Bond Reserve Fund (hereinafter referred to as the Reserve Fund) and a Depreciation and Contingency Fund (hereinafter referred to as the Depreciation Fund). The Reserve Fund, established when the system became revenue-producing, includes monthly deposits of \$181 continuing until such time that the fund has accumulated a sum equal to \$43,275.90. These funds are restricted to the payment of principal and interest of all bonds payable to avoid default. The balance at June 30, 2012, is \$43,317.02.

The Depreciation Fund, established at the same time, includes monthly deposits of \$185 continuing until all bonds have been paid in full. These funds are restricted to unusual or extraordinary maintenance, repairs, replacements or extensions as well as the costs of improvements which will either enhance the system's revenue-producing capacity or provide a higher degree of service. In the event that the funds available in the Reserve Fund are insufficient to cover principal and interest payments, the necessary balance may be transferred from this Fund. The balance at June 30, 2012, is \$10,414.77.

NOTE 5 – INVESTMENTS

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity or are held either by the counter-party or the counter-party's trust department or agent by not in the entity's name. Investments of the District are certificates of deposit held by the counter-party in the District's name. They are secured from risk by \$250,000 of federal deposit insurance.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

A summary of investments for which cost and fair value are the same is as follows:

	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Certificates of Deposit:			
Feliciana Bank & Trust Co.	\$ 10,000.00	.09%	11/02/2012
	<u>47,009.66</u>	1.55%	9/12/2012
Total	<u>57,009.66</u>		

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 4,500.00	\$.00	\$.00	\$ 4,500.00
Capital Assets, being depreciated				
Vehicles	30,827.00	.00	.00	30,827.00
Less: accumulated depreciation	<u>14,611.00</u>	<u>4,890.00</u>	<u>.00</u>	<u>19,501.00</u>
Net Vehicles	16,216.00	(4,890.00)	.00	11,326.00
Furniture & equipment	58,919.98	.00	.00	58,919.98
Less: accumulated depreciation	<u>25,238.24</u>	<u>9,044.00</u>	<u>.00</u>	<u>34,282.24</u>
Net Furniture & Equipment	33,681.74	(9,044.00)	.00	24,637.74
Buildings	18,372.81	13,797.00	.00	32,169.81
Less: accumulated depreciation	<u>98.25</u>	<u>810.00</u>	<u>.00</u>	<u>908.25</u>
Net Buildings	18,274.56	12,987.00	.00	31,261.56
Distribution system	1,976,224.00	16,204.40	.00	1,992,448.40
Less: accumulated depreciation	<u>879,822.00</u>	<u>52,579.00</u>	<u>.00</u>	<u>932,401.00</u>
Net Distribution System	1,096,402.00	(36,374.60)	.00	1,060,027.40
Capital Assets, being depreciated, net	<u>1,164,574.30</u>	<u>(37,321.60)</u>	<u>.00</u>	<u>1,127,252.70</u>
Capital Assets, net	<u>1,169,074.30</u>	<u>(37,321.60)</u>	<u>.00</u>	<u>1,131,752.70</u>

The District amortizes a land lease over its 60 year term. The net book value at June 30, 2012, was \$3,842.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – ACCOUNTS AND OTHER PAYABLES

The payables at June 30, 2012, are as follows:

Class of Payable

Trade	\$ 12,029.92
Payroll withholdings and related	2,100.31
Salaries	5,871.08
Customer deposits	44,000.00
Bonds payable – short-term portion	<u>18,799.19</u>
 Total	 <u>82,800.50</u>

NOTE 8 – LONG-TERM LIABILITIES

Revenue Bonds. The District is currently making payment on three different issues as follows:

Series 1987 issued in the amount of \$305,600, dated July 8, 1987, due in annual installments of \$21,863 including interest at 6.5% beginning 7/8/1990 for a period of 40 years

Series 1991 issued in the amount of \$74,800, dated July 29, 1993, due in monthly installments of \$397.94 including interest at 5.625% beginning 8/8/1995 for a period of 38 years

Series 2001 issued in the amount of \$295,000, dated August 3, 2001, due in monthly installments of \$1,386.50 including interest at 4.75% beginning 9/3/2002 for a period of 40 years

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 504,020.84	\$.00	\$ 17,827.61	\$ 486,193.23	\$ 18,799.19

The annual debt service requirements to maturity for bonded debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 18,799.19	\$ 26,779.00
2014	17,301.00	25,976.00
2015	16,379.63	25,035.01
2016	17,351.60	24,063.04
2017	18,382.33	23,032.31

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Next five years	109,698.00	97,375.20
Next five years	139,205.44	60,704.66
Next five years	75,381.96	27,820.75
Next five years	71,071.63	12,135.77
Remaining years	<u>2,622.45</u>	<u>291.62</u>
Total	<u>486,193.23</u>	<u>323,213.36</u>

NOTE 9 – LEASES

Operating Leases. The District entered into a 60 year lease for land commencing on August 3, 1999 and terminating August 2, 2058. It prepaid the entire lease of \$5,000 at the time the lease was executed and is being amortized at an amount of \$83 per year. Accumulated amortization at June 30, 2012, was \$1,158 providing for a land lease value of \$3,842 recorded as a other asset.

Capital Leases. The District has no capital leases.

NOTE 10– RETIREMENT PLAN

The District does not provide a retirement plan for its employees other than social security in which it matches the 6.2% of gross salaries paid in by the employee.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

The District does not provide post-employment benefits.

NOTE 12 – RELATED PARTY TRANSACTIONS

The District obtains water under the terms of a local service agreement with the East Feliciana Parish Policy Jury, of which it is a component unit. The water utilized by the District is obtained from a well constructed by the EFP Policy Jury on property owned by the District. The service agreement provides for a 50 year lease of the well that began when the well was first placed into service.

In exchange, the District agreed to issue revenue bonds to place into operation a waterworks utility system for which it was granted a franchise by the EFP Police Jury. Both parties agreed that no action would be taken by either party that would impair the security for or the payment of the revenue bonds.

The District has the option of purchasing the water well from the EFP Policy Jury at any time by paying a sum equal to the original cost of the well less depreciation as may be certified by the District's consulting engineer. The cost was \$155,000, funded by proceeds from a H.U.D. grant.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 13 – LITIGATION AND CLAIMS

There is no litigation that would require disclosure in the accompanying financial statements.

NOTE 14 – SUBSEQUENT EVENTS

There were no transactions or events between the close of the year through issuance of this report that would materially impact these basic financial statements.

SUPPLEMENTARY INFORMATION

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2012**

ADMINISTRATIVE

Advertising	\$ 312.40
Bill processing fees	6,264.00
Board expense	3,720.00
Dues and subscriptions	520.92
Office supplies	5,388.81
Postage	364.43
Professional fees	<u>12,955.49</u>
Total Administrative	29,526.05

DEPRECIATION/AMORTIZATION

67,406.00

EMPLOYEE AND RELATED EXPENSES

Payroll taxes	7,320.84
Salaries	93,804.00
Seminars/workshops	1,549.15
Workers' compensation	<u>3,936.00</u>
Total Employee and Related Expenses	106,609.99

OCCUPANCY

Insurance	17,134.79
Office rent	9,600.00
Telephone	6,690.71
Utilities	<u>1,046.30</u>
Total Occupancy	34,471.80

PERSONAL SERVICES

Bad debts	7,500.00
Repairs/maintenance	26,933.78
Safe drinking water fees	2,684.16
Supplies	25,109.20
Vehicle operations	14,158.53
Utilities	<u>16,670.77</u>
Total Personal Services	93,056.44

TOTAL OPERATING EXPENSES

331,070.28

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AS PERCENTAGE OF TOTAL OPERATING REVENUES
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

Charges for services:

Water sales	\$	323,565.20	98.21%
Late fees		5,909.22	1.79%

Total Operating Revenues		329,474.42	100.00%
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OPERATING EXPENSES

Advertising		312.40	0.09%
Bill processing fees		6,264.00	1.90%
Board expense		3,720.00	1.13%
Dues and subscriptions		520.92	0.16%
Office supplies		5,388.81	1.64%
Postage		364.43	0.11%
Professional fees		12,955.49	3.93%
Depreciation/amortization		67,406.00	20.46%
Payroll taxes		7,320.84	2.22%
Salaries		93,804.00	28.47%
Seminars/workshops		1,549.15	0.47%
Workers' compensation		3,936.00	1.19%
Insurance		17,134.79	5.20%
Office rent		9,600.00	2.91%
Telephone		6,690.71	2.03%
Utilities		1,046.30	0.32%
Bad debts		7,500.00	2.28%
Repairs/maintenance		26,933.78	8.17%
Safe drinking water fees		2,684.16	0.81%
Supplies		25,109.20	7.62%
Vehicle operations		14,158.53	4.30%
Utilities		16,670.77	5.06%

Total Operating Expenses		331,070.28	100.48%
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Operating Loss		(1,595.86)	-0.48%
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Continued

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AS PERCENTAGE OF TOTAL OPERATING REVENUES (Continued)
YEAR ENDED JUNE 30, 2012**

NON-OPERATING REVENUES (EXPENSES)

Interest earned	\$ 777.34	0.24%
Grant proceeds	16,203.99	4.92%
Interest expense	<u>(25,475.84)</u>	<u>-7.73%</u>
 Total Non-Operating Revenues (Expenses)	 <u>(8,494.51)</u>	 <u>-2.58%</u>
 Change in Net Assets	 <u><u>(10,090.37)</u></u>	 <u><u>-3.06%</u></u>

See Independent Auditors' Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>OPERATING REVENUES</u>				
Charges for services:				
Water sales	\$ 338,000.00	\$ 324,000.00	\$ 323,565.20	\$ (434.80)
Late fees	9,000.00	6,000.00	5,909.22	(90.78)
Connection fees	7,000.00	-	-	-
	<hr/>			
Total Operating Revenues	354,000.00	330,000.00	329,474.42	(525.58)
<u>OPERATING EXPENSES</u>				
Administrative	40,150.00	34,150.00	29,526.05	4,623.95
Depreciation/amortization	64,000.00	67,500.00	67,406.00	94.00
Employee and related expenses	99,000.00	102,500.00	106,609.99	(4,109.99)
Occupancy	35,500.00	35,500.00	34,471.80	1,028.20
Personal services	79,000.00	82,000.00	93,056.44	(11,056.44)
	<hr/>			
Total Operating Expenses	317,650.00	321,650.00	331,070.28	(9,420.28)
Operating Income (Loss)	36,350.00	8,350.00	(1,595.86)	(9,945.86)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest earned	2,000.00	1,000.00	777.34	(222.66)
Grant proceeds	100.00	16,100.00	16,203.99	103.99
Interest expense	(30,000.00)	(25,500.00)	(25,475.84)	24.16
	<hr/>			
Total Non-Operating Revenues (Expenses)	(27,900.00)	(8,400.00)	(8,494.51)	(94.51)
Change in Net Assets	8,450.00	(50.00)	(10,090.37)	(10,040.37)
Net Assets, beginning	965,481.47	965,481.47	965,481.47	-
Net Assets, ending	973,931.47	965,431.47	955,391.10	(10,040.37)

See Independent Auditors' Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<i>Major Programs</i>		
<i>U.S. Department of Agriculture Office for Rural Development</i>		
Water and Waste Disposal Systems for Rural Communities	10.418	* \$ <u>486,193.23</u>

* This represents outstanding loan balance as of June 30,2012

**Notes to Schedules of Expenditures of Federal Awards
Year Ended June 30, 2012**

Basis of Presentation

This schedule of expenditures of federal awards includes the federal grant activity of the Waterworks District No. 7 of East Feliciana Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
YEAR ENDED JUNE 30, 2012**

<u>Coverage</u>	<u>Insurance Company</u>	<u>Expiration</u>	<u>Liability Limits</u>
General liability	Southern Insurance Co. Policy RGP-1000071-00	5/17/13	\$1,000,000 per occurrence \$2,000,000 general aggregate \$2,000,000 prod/comp ops aggregate \$100,000 fire damage \$5,000 medical expense \$1,000,000 personal/advertising \$1,000,000 employee benefit \$1,000,000 limited pollution \$250,000 failure to supply
Auto liability and Physical damage	Southern Insurance Co. Policy RPG-1000071-00	5/17/13	\$500,000 uninsured motorist \$500,000 each accident \$250 comprehensive \$500 collision
Property	Southern Insurance Co. Policy RPG-1000071-00	5/17/13	\$48,600 equipment replacement \$120,000 well site replacement \$10,000 bldg contents replacement \$1,000 deductible each type
Fidelity bond	CNA Surety Company Policy 68686855	2/18/13	\$88,000
Workers' Compensation	La Workers' Compensation Corporation Policy 22983-A	5/05/13	Statutory

See Independent Auditors' Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATISTICAL DATA - WATER SALES
YEAR ENDED JUNE 30, 2012**

<u>Month</u>	<u>No. of Customers</u>	<u>Gallons (Thousands)</u>	<u>Amount</u>
Jul	933	5,980.8	\$ 30,039
Aug	934	5,728.6	29,171
Sep	926	5,076.4	27,052
Oct	930	6,034.3	30,178
Nov	935	6,182.0	30,806
Dec	934	4,985.5	25,102
Jan	937	5,067.4	27,050
Feb	933	4,443.5	24,915
Mar	935	4,561.1	25,368
Apr	934	4,546.5	25,209
May	941	6,383.4	31,646
Jun	939	6,310.8	31,374
		<u>65,300.3</u>	<u>337,910</u>
		Net accruals	<u>(14,345)</u>
			<u><u>323,565</u></u>

See Independent Auditors' Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
COMPARATIVE DATA
JUNE 30, 2012
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>SUMMARY OF STATEMENT OF REVENUES</u>					
Operating revenues	\$ 329,474	\$ 373,435	\$ 355,460	\$ 330,716	\$ 316,837
Operating expenses	331,070	310,641	295,879	270,991	285,210
Operating Income (Loss)	(1,596)	62,794	59,581	59,725	31,627
Non-operating revenues	16,981	1,596	3,202	1,114	2,615
Non-operating expenses	(25,476)	(30,959)	(29,428)	(31,316)	(26,884)
Net Income (Loss)	(10,091)	33,431	33,355	29,523	7,358

OTHER DATA

Capital assets, net	1,135,595	1,169,054	1,216,284	1,232,528	1,251,356
Net working capital	176,449	192,148	119,344	108,375	56,084
Total assets	1,505,586	1,529,844	1,508,893	1,485,121	1,455,716
Long-term liabilities	511,394	5,305,893	547,401	522,125	525,140
Total equity	955,391	965,481	932,051	898,696	857,014
Average no. of customers	934	931	898	896	876
Total cubic feet of water sold (MCF)	65,300.3	70,742.6			
No. of residential customers	919	912			
No. of commercial customers	20	20			

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**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF SUBSEQUENT BUDGET
YEAR ENDING JUNE 30, 2013**

OPERATING REVENUES

Charges for services:	
Water sales	\$ 353,000.00
Reconnect fees	2,500.00
Late fees	8,000.00
Other revenues	<u>1,000.00</u>
Total Operating Revenues	364,500.00

OPERATING EXPENSES

Administrative	32,350.00
Depreciation/amortization	68,000.00
Employee and related expenses	112,600.00
Occupancy	54,500.00
Personal services	<u>69,700.00</u>
Total Operating Expenses	<u>337,150.00</u>
Operating Income	27,350.00

NON-OPERATING REVENUES (EXPENSES)

Interest earned	800.00
Interest expense	<u>(26,000.00)</u>
Total Non-Operating Revenues (Expenses)	<u>(25,200.00)</u>
Change in Net Assets	2,150.00

Net Assets, beginning	<u>955,391.00</u>
Net Assets, ending	<u><u>957,541.00</u></u>

See Independent Auditors' Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
COMPENSATION PAID TO GOVERNING BODY
YEAR ENDED JUNE 30, 2012**

	<u>Amount</u>
Brown, Samuel (president) 11332 Dan Delee Rd. Norwood, LA 70761 (225) 683-5032	\$ 960.00
Bryant, Louise Spurlock Clinton, LA 70722	180.00
Dunn, Mary Ann 11725 Rist Rd. Clinton, LA 70722 (225) 683-8462	600.00
Granier, Jr., Larry (vice-president) 12912 Granier Ln. Clinton, LA 70722 (225) 683-5030	840.00
Taylor, Robert P. O. Box 8734 Clinton, LA 70722 (225) 719-3343	<u>360.00</u>
Total	<u>2,940.00</u>

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Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

**REPORT ON COMPLIANCE AND OTHER MATTERS AND
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Waterworks District No. 7 of East Feliciana Parish
P. O. Box 8826
Clinton, Louisiana 70722

We have audited the financial statements of the business-type activities, and aggregate remaining fund information of the Waterworks District No. 7 of East Feliciana Parish, a component unit of the East Feliciana Parish Police Jury, as of and for the year ended June 30, 2012, which collectively comprise the Waterworks District No. 7 of East Feliciana Parish's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District No. 7 of East Feliciana Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

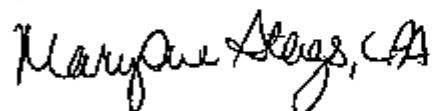
Internal Control over Financial Reporting

In planning and performing our audit, we considered the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the East Feliciana Parish Police Jurors, others within the agency and Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Mary Sue Stages, CPA,
A Professional Accounting Corporation
Baker, LA
December 17, 2012

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Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Directors
Waterworks District No. 7 of East Feliciana Parish
P. O. Box 8826
Clinton, Louisiana 70722

Compliance

We have audited the compliance of the Waterworks District No. 7 of East Feliciana Parish, a component unit of the East Feliciana Parish Police Jury, with the types of compliance requirements described in the *OMB Circular A-133 Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Waterworks District No. 7 of East Feliciana Parish's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Waterworks District No. 7 of East Feliciana Parish's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Waterworks District No. 7 of East Feliciana Parish's compliance with those requirements.

In our opinion, the Waterworks District No. 7 of East Feliciana Parish complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

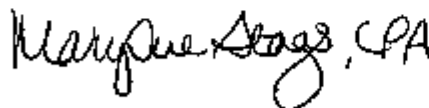
Internal Control over Compliance

The management of the Waterworks District No. 7 of East Feliciana Parish is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Waterworks District No. 7 of East Feliciana Parish's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 7 of East Feliciana Parish's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the East Feliciana Parish Police Jurors, others within the agency, Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Mary Sue Stages, CPA,
A Professional Accounting Corporation
Baker, LA
December 17, 2012

Section I Summary of Auditor's Reports

Compliance	Material to Financial Statements	■ No
Internal Control	Control Deficiency(ies)	■ No
	Material Weaknesses	■ No

Compliance	Material to Financial Statements	■ No
Internal Control	Control Deficiency(ies)	■ No
	Material Weaknesses	■ No

C. Identification of Major Programs

The threshold used for distinguishing between Type A and B programs was \$500,000.

N/A

N/A